

SB151 ENROLLED



1 SB151
2 JSUSYFF-2
3 By Senator Shelnutt
4 RFD: Banking and Insurance
5 First Read: 11-Feb-25



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Enrolled, An Act,

Relating to insurance; to amend Sections 27-14-3 and 27-15-8, Code of Alabama 1975, to correct internal citations to the code contained in those sections.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Sections 27-14-3 and 27-15-8 of the Code of Alabama 1975, are amended to read as follows:

"§27-14-3

(a) Insurable interest with reference to personal insurance is an interest based upon a reasonable expectation of pecuniary advantage through the continued life, health, or bodily safety of another person and consequent loss by reason of his or her death or disability or a substantial interest engendered by love and affection in the case of individuals closely related by blood or by law.

(b) An individual has an unlimited insurable interest in his or her own life, health, and bodily safety and may lawfully take out a policy of insurance on his or her own life, health, or bodily safety and have the same made payable to whomsoever he or she pleases, regardless of whether the beneficiary so designated has an insurable interest.

(c) A corporation, foreign or domestic, has an insurable interest in the life or physical or mental ability of any of its directors, officers, or employees, or the directors, officers, or employees of any of its subsidiaries or any other person whose death or physical or mental



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disability might cause financial loss to the corporation; or, pursuant to any contractual arrangement with any shareholder concerning the reacquisition of shares owned by the shareholder at the time of his or her death or disability, on the life or physical or mental ability of that shareholder for the purpose of carrying out the contractual arrangement; or pursuant to any contract obligating the corporation as part of compensation arrangements or pursuant to a contract obligating the corporation as guarantor or surety, on the life of the principal obligor. The trustee of a trust established by a corporation for the sole benefit of the corporation has the same insurable interest in the life or physical or mental ability of any person as does the corporation. The trustee of a trust established by a corporation providing life, health, disability, retirement, or similar benefits to employees of the corporation or its affiliates and acting in a fiduciary capacity with respect to the employees, retired employees, or their dependents or beneficiaries has an insurable interest in the lives of employees for whom the benefits are to be provided.

(d) After satisfaction of the requirements of Section ~~27-17A-32(d)(1)~~ 34-13-232(d)(1), the trustee of a trust established by a certificate holder which complies with the requirements of ~~Chapter 17A~~ Article 5 of Chapter 13 of Title 34 has an insurable interest in the life of a preneed contract purchaser or a preneed contract beneficiary. It is the intention of the Legislature that the preceding sentence shall be retroactive and shall also apply to all policies, as



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defined in this chapter, issued prior to May 6, 2008. It is also the intention of the Legislature that the value of any life insurance policy purchased by a trust pursuant to ~~Chapter 17A~~ Article 5 of Chapter 13 of Title 34 shall not exceed the lesser of twenty thousand dollars (\$20,000) or 100 percent of the purchase price of the preneed contract regulated under ~~Chapter 17A~~ Article 5 of Chapter 13 of Title 34. Further, it is the intention of the Legislature that any life insurance policy purchased by a trust pursuant to ~~Chapter 17A~~ Article 5 of Chapter 13 of Title 34 be used for the sole benefit of the preneed contract purchaser, the preneed contract beneficiary, or the funeral establishment or cemetery providing funeral services, burial services, or funeral merchandise for the preneed contract purchaser, and not for the benefit of another person who otherwise lacks an insurable interest under this section.

(e) Any provision of this section and chapter to the contrary notwithstanding, a charitable organization that meets the requirements of ~~Section 26 U.S.C. § 501(c)(3) of the Internal Revenue Code of 1986, as amended,~~ may own or purchase life insurance on an individual who consents to the ownership of purchase of that insurance. The charitable organization shall be deemed to have a substantial interest in the individual insured and to have an insurable interest in the individual insured whether the charitable organization originally purchases the insurance or the insurance is later transferred to the charitable organization by the insured or another person. This subsection is intended to clarify and



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85 declare existing law.

86 (f) An insurable interest shall exist at the time the
87 contract of personal insurance becomes effective, but this
88 requirement need not exist at the time the loss occurs.

89 (g) Any personal insurance contract procured~~7~~ or caused
90 to be procured~~7~~ upon another individual is void unless the
91 benefits under the contract are payable to the individual
92 insured, or his or her personal representative, or to a person
93 having, at the time when the contract was made, an insurable
94 interest in the individual insured. In the case of a void
95 contract, the insurer shall not be liable on the contract but
96 shall be liable to repay to the person, or persons, who have
97 paid the premiums, all premium payments without interest."

98 "§27-15-8

99 (a) In case of policies issued on and after the
100 operative date of Section ~~21-15-28~~ 27-15-28, amended and
101 renumbered as Article 3 of Chapter 15, there shall be a
102 provision that after the policy has a cash surrender value and
103 while no premium is in default beyond the grace period for
104 payment the insurer ~~will~~ shall advance, on proper assignment
105 or pledge of the policy and on the sole security thereof, at a
106 specified rate of interest not exceeding eight percent per
107 annum, payable in advance, an amount equal to or, at the
108 option of the party entitled thereto, less than the loan value
109 of the policy. The loan value of the policy shall be at least
110 equal to the cash surrender value at the end of the then
111 current policy year, provided that the insurer may deduct,
112 either from ~~such~~ the loan value or from the proceeds of the



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113 loan, any existing indebtedness not already deducted in
114 determining ~~such~~ the cash surrender value including any
115 interest then accrued but not due, any unpaid balance of the
116 premium for the current policy year, and interest on the loan
117 to the end of the current policy year. The policy may also
118 provide that if interest on any indebtedness is not paid when
119 due it shall then be added to the existing indebtedness and
120 shall bear interest at the same rate and that, if and when the
121 total indebtedness on the policy, including interest due or
122 accrued, equals or exceeds the amount of the loan value
123 thereof, then the policy shall terminate and become void, but
124 not until at least 30 days' notice shall have been mailed by
125 the insurer to the last known address of the insured or
126 policyowner and of any assignee of record at the home office
127 of the insurer. The policy shall reserve to the insurer the
128 right to defer the granting of a loan, other than for the
129 payment of any premium to the insurer, for six months after
130 application therefor. The policy, at the insurer's option, may
131 provide for automatic premium loan, subject to an election of
132 the party entitled to elect.

133 (b) This section shall not apply to term policies nor
134 to term insurance benefits provided by rider or supplemental
135 policy provision."

136 Section 2. This act shall become effective on June 1,
137 2025.



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President and Presiding Officer of the Senate

Speaker of the House of Representatives

SB151

Senate 06-Mar-25

I hereby certify that the within Act originated in and passed
the Senate.

Patrick Harris,
Secretary.

House of Representatives

Passed: 29-Apr-25

By: Senator Shelnutt